

TONG KEE (HOLDING) LIMITED

棠記(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8305



Third Quarterly Report 2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Tong Kee (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.tongkee.com.hk.

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THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|---|-------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Revenue | 3 | 60,588 | 27,405 | 181,854 | 122,033 |
| Cost of sales | | (51,325) | (20,448) | (154,631) | (102,051) |
| Gross profit | | 9,263 | 6,957 | 27,223 | 19,982 |
| Other income | | 175 | 169 | 580 | 259 |
| Administrative expenses | | (5,341) | (4,410) | (13,244) | (10,937) |
| Loss arising from change in fair value of financial assets at fair value through profit or loss | | 14 | – | (1,897) | – |
| Listing expenses | | (3,249) | (953) | (7,378) | (5,085) |
| Finance costs | | (390) | (256) | (1,075) | (780) |
| Profit before taxation | | 472 | 1,507 | 4,209 | 3,439 |
| Income tax expense | 4 | (291) | (417) | (1,935) | (1,364) |
| Profit for the period | | 181 | 1,090 | 2,274 | 2,075 |
| Other comprehensive income | | | | | |
| <i>Item that will be reclassified subsequently to profit or loss:</i> | | | | | |
| Change in fair value of available-for-sale financial asset | | – | 16 | – | 48 |
| Total comprehensive income from the period | | 181 | 1,106 | 2,274 | 2,123 |
| Earnings per share | | | | | |
| — Basic (HK cents) | 6 | 0.02 | 0.17 | 0.32 | 0.32 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 | Available-for-sale financial asset reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|-----------------------------|---|------------------------------|-------------------|
| At 31 December 2017 (audited) | –* | – | 3,610 | (63) | 27,215 | 30,762 |
| Change in accounting policies | – | – | – | 63 | (1,344) | (1,281) |
| At 1 January 2018 | –* | – | 3,610 | – | 25,871 | 29,481 |
| Issuance of ordinary shares pursuant to the Placing | 1,600 | 46,400 | – | – | – | 48,000 |
| Issuance of ordinary shares pursuant to the Capitalization Issue | 6,400 | (6,400) | – | – | – | – |
| Expense incurred in connection with the issuance of ordinary shares | – | (6,676) | (1,669) | – | – | (8,345) |
| Transaction with equityholders | 8,000 | 33,324 | (1,669) | – | – | 39,655 |
| Profit and total comprehensive income for the period | – | – | – | – | 2,274 | 2,274 |
| At 30 September 2018 (unaudited) | 8,000 | 33,324 | 1,941 | – | 28,145 | 71,410 |
| At 1 January 2017 (audited) | – | – | 3,610 | (126) | 23,701 | 27,185 |
| Profit for the period | – | – | – | – | 2,075 | 2,075 |
| Other comprehensive income for the period | | | – | | | |
| — Change in fair value of available-for-sale financial asset | – | – | – | 48 | – | 48 |
| Total comprehensive income | – | – | – | 48 | 2,075 | 2,123 |
| At 30 September 2017 (unaudited) | – | – | 3,610 | (78) | 25,776 | 29,308 |

Note: Capital reserve represents the difference between the Company's Share capital and the combined share capital of the subsidiaries of the Company pursuant to a reorganisation for the listing.

* Represent amount of less than HK\$1,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 April 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate and ultimate holding company is Advanced Pacific Enterprises Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. Heung Chung Sum (“Controlling Shareholder” or “Mr. Heung”). The address of the registered office and principal place of business of the Company are at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Nos. 7 & 8, 8/F, Shatin Galleria, 18–24 Shan Mei Street, Fotan, New Territories, Hong Kong, respectively. The Company’s shares are subsequently listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 4 July 2018 (the “Listing”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are multi-disciplinary contractors which are principally engaged in performing repair, maintenance, alteration and addition (“RMAA”) works, new construction works and cathodic protection works in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”) which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“HK\$’000”), except where otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2018 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the interim report of the Group for the period ended 30 June 2018.

In current period, HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the period presented as a result of these developments.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

3. REVENUE

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of building renovation and construction services to external customers. The Group's operations are solely derived from the building renovation and construction services in Hong Kong during the period. For the purposes of resources allocation and performance assessment, the chief operating decision maker (the "CODM"), being the executive directors of the Company, reviews the overall results and financial position of the Group as a whole prepared based on the same set of accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

4. INCOME TAX EXPENSE

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Hong Kong Profits Tax – Current year | 291 | 417 | 1,935 | 1,364 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

5. DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2018.

6. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to the owners of the Company for the three months and nine months ended 30 September 2018 are based on the followings:

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Earnings: | | | | |
| Earnings for the purpose of basic earnings per share (profit for the period) | 181 | 1,090 | 2,274 | 2,075 |
| | '000 | '000 | '000 | '000 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 793,043 | 640,000 | 691,765 | 640,000 |

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and capitalisation issue had been effective on 1 April 2016.

No diluted earnings per share for both periods were presented as there were no dilutive potential ordinary shares outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company and its subsidiaries (collectively referred to as the “Group”) is an established multi-disciplinary contractor for the provision of renovation and maintenance works, alteration and addition works (“RMAA”), new construction works, and cathodic protection works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

For RMAA works, the Group provides repair, alteration and addition, maintenance, modification, rehabilitation, steel, civil and demolition works in various venues such as residential building, commercial building, carpark, road, footbridge and theme park in Hong Kong. For new construction works, the Group provides a variety of constructions and related alteration and additions works and facilities such as noise mitigation work, architectural metalwork, bus shelter, dangerous goods store building, innovative and creative structure such as air balloon. For cathodic protection works, the Group provides installation of cathodic protection systems including sacrificial anodes protection and impressed current systems.

For the nine months ended 30 September 2018 (“Relevant Period”), there were 129 projects (2017: 103 projects) with revenue contribution undertaken by the Group. The demands for the Group’s RMAA and fitting-out works services remained at a high level and thus, the revenue of the Group recorded a significant growth in current period. During the nine months ended 30 September 2018, the Group was awarded 35 new projects, with total original contract sum of approximately HK\$82.2 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market and expansion on the infrastructure in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and new construction works industry. With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share by securing more RMAA and cathodic protection works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 4 July 2018 (the “Listing Date”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK\$122.0 million for the nine months ended 30 September 2017 to approximately HK\$181.9 million for the nine months ended 30 September 2018, representing a growth of approximately 49%. Such increase was mainly due to the increase in RMAA and cathodic protection works projects undertaken by the Group as a result of the overall development in the construction industry in Hong Kong.

Direct Cost

The cost of sales increased from approximately HK\$102.1 million for the nine months ended 30 September 2017 to approximately HK\$154.6 million for the nine months ended 30 September 2018, representing an increase of approximately 51.4%. Such increase was mainly attributable to the increase in the subcontracting charges and staff costs incurred with the increase in the number of RMAA and cathodic protection work projects undertaken by the Group during the period.

Gross Profit

Gross profit of the Group increased by approximately HK\$7.2 million from approximately HK\$20.0 million for the nine months ended 30 September 2017 to approximately HK\$27.2 million for the nine months ended 30 September 2018. The increase was mainly driven by the increased in revenue for the nine months ended 30 September 2017 as discussed above. The overall gross profit margin decreased from approximately 16.4% for the nine months ended 30 September 2017 to approximately 15.0% for the nine months ended 30 September 2018 as the projects undertaken by the Group during the nine months ended 30 September 2018 are generally in lower gross profit margin, resulting in the extent of increase in revenue is less than that of the increase in subcontracting charges, staff cost and construction material costs for the nine months ended 30 September 2018.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$2.3 million or 21.1% from approximately HK\$10.9 million for the nine months ended 30 September 2017 to approximately HK\$13.2 million for the nine months ended 30 September 2018.

Administrative expenses primarily consist of staff costs, depreciation, transportation and motor vehicle expense, and other costs incurred for daily operation. The increase was mainly attributable to the increase in staff costs paid to staff due to business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Listing Expenses

During the nine months ended 30 September 2018 and 2017, the Group recognised non-recurring Listing expenses of approximately HK\$7.4 million and HK\$5.1 million respectively, as expenses in connection with its Listing exercise.

Finance Costs

Finance costs for the Group increased by approximately HK\$0.3 million or 37.5% from approximately HK\$0.8 million for the nine months ended 30 September 2017 to approximately HK\$1.1 million for the nine months ended 30 September 2018. It was mainly due to the increase in usage of loan settlement for trade payables during the nine months ended 30 September 2018.

Income Tax Expense

Income tax expense for the Group increased by approximately HK\$0.5 million or 35.7% from approximately HK\$1.4 million for the nine months ended 30 September 2017 to approximately HK\$1.9 million for the nine months ended 30 September 2018. The increase was mainly attributable to the increase in profit before taxation (excluding the Listing expenses and change in fair value of financial assets at fair value through profit or loss) from approximately HK\$8.5 million for the nine months ended 30 September 2017 to approximately HK\$13.3 million for the nine months ended 30 September 2018.

Profit for the Period

Profit for the period increased by approximately HK\$199,000 or 9.6% from HK\$2,075,000 for the nine months ended 30 September 2017 to HK\$2,274,000 for the nine months ended 30 September 2018. Such increase was primarily attributable to the net effect of the increase in revenue, gross profit, administrative expense, listing expense and tax expense as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio increased from approximately 1.4 times as at 31 December 2017 to 2.2 times as at 30 September 2018.

As at 30 September 2018, the Group had total borrowings of approximately HK\$14.3 million (31 December 2017: approximately HK\$19.9 million). The gearing ratio, calculated based on the interest-bearing liabilities divided by total equity at the end of the year/period and multiplied by 100%, decreased from approximately 64.8% as at 31 December 2017 to approximately 21.7% as at 30 September 2018 due to the initial public offering which reduced the group gearing. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The Group's borrowings and bank balances are denominated in HK\$ and there was no significant exposure to foreign exchange rate fluctuations during the Relevant Period.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL STRUCTURE

During the nine months ended 30 September 2018, the Company increased its authorised share capital to HK\$100,000,000.

The shares of the Company were subsequently listed on the GEM of the Stock Exchange on 4 July 2018. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at the date of this report, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premise and carpark spaces. The Group's operating lease commitments amounted to approximately HK\$568,000 as at 30 September 2018 (31 December 2017: approximately HK\$1,185,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2018, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 30 September 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

The Group did not have other material contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in HK\$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OF GROUP'S ASSETS

As at 30 September 2018, the Group pledged certain amount of land and building and investments in life insurance policies to secure short-term bank borrowings and other general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed a total of 123 employees (31 December 2017: 112 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$27.8 million for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: approximately HK\$22.1 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the listing, after deducting listing related expenses, were approximately HK\$26.4 million. An analysis of the utilization of the net proceeds from the Listing Date up to 30 September 2018 is set out below:

| | Planned use of net proceeds as stated in the Prospectus HK\$ million | Actual use of net proceeds from Listing Date to 30 September 2018 HK\$ million |
|--|--|---|
| Reserved capital to satisfy the Group's potential customers' requirement for surety/performance bond | 2.0 | – |
| Further Strengthen the Group's manpower | 8.2 | 0.6 |
| Acquisition of additional machinery and equipment | 7.9 | – |
| Upgrading the Hong Kong office and workshop | 5.7 | 0.4 |
| General working capital | 2.6 | 2.6 |

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing Prospectus while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2018, the Company was wholly owned by Advanced Pacific Enterprises Limited, which the ultimate owner is Mr. Heung Chung Sum.

As at the date of this report, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Company's Shares

| Name of Director | Capacity | Number and class of securities | Approximate percentage of shareholding |
|---------------------|--------------------------------------|--------------------------------|--|
| Mr. Heung Chung Sum | Interest in a controlled corporation | 600,000,000 ordinary shares | 75% |

(ii) Long position in the ordinary shares of associated corporations

| Name of Director | Name of associated corporations | Capacity | Number and class of securities | Approximate percentage of shareholding |
|---------------------|--------------------------------------|------------------|--------------------------------|--|
| Mr. Heung Chung Sum | Advanced Pacific Enterprises Limited | Beneficial owner | 2 ordinary shares | 100% |

MANAGEMENT DISCUSSION AND ANALYSIS

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this report, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name | Capacity | Number and class of securities | Long/short position | Approximate percentage of shareholding |
|--------------------------------------|------------------|--------------------------------|---------------------|--|
| Advanced Pacific Enterprises Limited | Beneficial owner | 600,000,000 ordinary shares | Long | 75% |

Save as disclosed above, as at the date of this report and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 September 2018.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Red Sun Capital Limited ("Red Sun"), as at 30 September 2018, save for the compliance adviser agreement dated on 9 November 2017 entered into between the Company and Red Sun, neither Red Sun, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2018.

CORPORATE GOVERNANCE CODE

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Heung Chung Sum currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

As at 30 September 2018, save as disclosed above, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any noncompliance with the required standard of dealings regarding securities transactions by the Directors throughout the period ended 30 September 2018.

DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 4 June 2018 (“the Scheme”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted during the Relevant Period and there were no share options outstanding as at 30 September 2018.

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company’s annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Mr. Chan Chi Hang, Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, all being independent non-executive Directors of the Company. Mr. Chan Chi Hang currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed this report and the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2018.

By order of the Board
Tong Kee (Holding) Limited
Heung Chung Sum
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 13 November 2018

As at the date of this report, the executive Directors are Mr. Heung Chung Sum and Mr. Chan Wai Hon, Alan, and the non-executive Directors are Ms. Heung Joe Yee, Ms. Heung Joe Tung, and the independent non-executive Directors are Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, and Mr. Chan Chi Hang.